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COOPERATIVES EUROPE

att. of:
Board of Directors
President **Susanne Westhausen**
and/or who might be concerned

Ref: **Cooperatives Europe topics:** „Advocating“; „Communication“; „Development“; „Regulatory Framework for Cooperatives“

RETURNING TO GENUINE DEMOCRATIC COOPERATIVISM IN EASTERN EUROPE FOCUS: BALTIC COUNTRIES

AIMS AND OBJECTIVES

This memorandum aims at:

1. Promoting EU-**cohesion** and **convergence**,
2. repairing **perversions** caused by authoritarian powers,
3. demonstrating the **inter-dependance between cooperativism and democray**, and
4. chances for a **civic societies based prosperous future** for Europe, EU and beyond.

ENABLING RULES FOR BALTIC COOPERATIVISM

The – indispensable – first step on the road towards the return of genuine cooperativism after the devastations (occurred under the Sovietic and the National Socialist regimes) has to be the re-installation of **appropriate rules and regulations**, in line with the Baltic pre-WWII **heritage**.

These formal requirements are the „**hand-rail**“ for the start of cooperativism activities in any country, including the Baltics.¹

Between the two World Wars, cooperativism in the Baltic Countries was ruled by the (Kerenski times) „**Russian Cooperatives Law**“ (of 1917) which they **adopted as their national laws**.²

Until 1939, cooperativism in the Baltic Countries was protected, as in other European regions, by its specific and highly effective **control** mechanisms, the combination of autonomous **self-audit** and the (self-rule respecting) **official supervision** of the **law obedience** by the cooperativism bodies.³

The Baltic citizens are not (yet) **aware of the out-standing contributions of cooperativism to the stability of these States, their national economies and social life**, especially during the **extremely difficult years** between the two big wars. The situation requires „awareness-building“ measures.

Sovietic dominance is gone but its understanding of **cooperativism has survived** the political and economic changes in Eastern Europe.⁴

Advocates for a **return „to the roots“**, in this case, to **authentic cooperativism** are rare and the few who back such a move, soon give up because they **lack backing by private and official authorities** (and, on top, because of a missing solidarity in Western European cooperativism circles).⁵

PARTNERS FOR THE TASK

Cooperatives Europe should have a **watching eye on the observance of the ICA „Cooperative Identity, Values and Principles“**, by all its actual (Lithuania) and future (hopefully, also Estonia and Latvia) members.

This would strengthen the **credibility** and, thus, the **acceptance of Cooperative Europe in Eastern Europe**; it would **attract new members and collaborators**, especially if the (formerly omni-present) contributions of cooperativism for **reaching a sound, equitable and democratic EU** are highlighted.

„**Agents of conscience building**“ - in this case persons and bodies anchored in the European cooperativism families, especially **ICA and Cooperatives Europe** – should play a **leading** role in this forward oriented process.

UNIQUE TIMING FOR REFORMS OF BALTIC COOPERATIVISM

Actually, the **new „EU Agro Policy“ and the „Corona Recovery Programme“** - are **unique opportunities to start** a „new“ EU member countries (in the first row, the Baltic States) focusing **cooperatives re-habilitation** programme.

The **lower and middle income groups** in these countries (on top, the small rural family units) are the prominent, but actually highly endangered addressees of these EU programmes.

Their pressing **need to generate a secure livelihood** has led to a climate in which genuine **cooperativism can take root** again, a **singular opportunity** which should be seized.⁶

To get organised, all – „grass root“ level initiatives and political authorities- require **external assistance** from Western European **know-how holders** (i.e. **Cooperatives Europe** and its members and collaborators), in connection with the **EU organs** (Commission and Parliament).

The first step has to be the winning of of the **political decision makers in each of the Baltic Countries** for the – formal but crucial - **enabling measures** (= rules and regulations for cooperatives, in line with the Baltic traditions, i.a. the **Russian Cooperatives Law**).^{7 8}

(An **important side-effect**, connected with the return to the typical cooperative auditing, would be that this system could also be utilized for **safeguarding** of the **lawful** and wise **spending of the** –

longed for - **EU funds.**)

GETTING STARTED

These proposals are brought forward, at a time when **European cohesion** and the **convergence of its political and social life standards**, as well as the **cohesion among the EU members** are under **pressure**.

Passive behaviour of the mentioned stake-holders in this matter would **deepen the problems**.⁹

Therefore, first effective steps have to **start immediately**, above all, such undertakings which **do not depend on long preparations** and **much funding**.¹⁰

The **fundamental concept** for re-building genuine cooperatives exists – as defined in the **ICA „Cooperative Identity, Values and Principles“**.

A **cooperation agreement** (on the basis of the **ICA Principles**) **with**, at least, **one Baltic Country**, has to be reached for starting.¹¹

A „pioneers“ **group of**, perhaps, **five or six** individuals, among them, at least, one committed representative from **each of the Baltic nations**, plus two from Western Europe (preferentially Cooperatives Europe related), would be sufficient.

Annexes

A LOOK INTO MY C.V.

My (85 years of) life has been accompanied by cooperativism, in its historic and actual forms, under civic society backed and authoritarian governances.

Already in my early years, I have become an attentive **observer** of its changing characteristics, though I **never** have been professionally tied to one of its governing bodies.

At the end of my civil servant's career, I began to volunteer for the return to European values based cooperativism in Eastern Europe (focusing the Baltic region).

In **two occasions** (1968 to 1971 and 1980 to 1983), I served as a cooperativism adviser in **Colombia**, first for an official supervisory and promotional body and, later, for a big rural savings and loan cooperative .

Besides this, I **supported projects of the German cooperatives associations** in Latin America, during my years as development aid officer at the Lima German Embassy and later, at the headquarters of the German Ministry for Economic Cooperation and Development.

I became a welcome guest of the **German cooperative associations – until the Eastern expansion of the EU** (which stopped the flow of bilateral State subsidies for their projects in the new EU member countries).

Right after the opening of Eastern Europe, I changed to the EU; first (1991) I became a „National Expert“ for **PHARE** and (1992-1993) Adviser for the **Estonian** Central Bank (for which I designed and helped to introduce its new **currency**).

Inspired by my past good relations with the German cooperatives associations, I suggested that they should **continue** their advisory engagement for the Baltic Countries, out of **own resources**. This was **denied** and, in the end, my repeated pushing led to their **breach of contacts** with me.

In vain, I looked for **support from the EU**. This was **refused** with the **argument** that the Community is bound to **abstain from interference in commercial affairs**.

The **authorities in the Baltic countries** are also **reluctant** to discuss my proposals.

Nevertheless, my activities have produced deep **insights** in the historic and the post-change-times situation of economic self-help systems in the Baltics which I offer (cost-free) to like-minded persons and institutions.

Taking into account my advanced age, I try to identify suitable partners which could safeguard **continuity of my work**.

This is why I am now **addressing Cooperatives Europe** (and, indirectly also **ICA** and the **EU** organs).

1

Subject related **post-WWI** events in Estonia and in the other Baltic Countries:

Right after **Estonia** became independent, the peasants were freed from land renting from the „rural gentry“.

Nevertheless, the **land property** remained in the hands of the „Sovereign“, now the (Estonian) **State**.

Therefore, e.g. mortgage loans (with land as collateral) stayed out of reach for them.

To buffer the precarious situation of the main producers of goods for daily life, the Government decided to channel **public funding** for the rural economy, exclusively, **through cooperatives**.

Before the reform of land tenance, cooperatives only existed in the urban settlements. The peasants were (simply) too poor and too weak to get organised.

As a result of this measure, in a very short period, more than **100 rural cooperatives emerged** in this country.

Most of them operated **until 1939** (when the country fell under foreign rule, in the follow-up of the Hitler-Stalin pact).

The Estonian solution for the differentiation between land ownership and land use was not followed in the Latvian and Lithuanian land reforms.

In **Latvia**, the land reform started one year later than in Estonia and took the experience in the neighbour country into account. The Latvian peasants obtained full land property. Due to this, there was no incentive for erecting rural cooperatives. Therefore, their number in Latvia remained small.

(Another difference when comparing this Latvia with Estonia (and Lithuania, as well): The indebtedness of the peasants exceeded their financial capacity, by far. In the end, the Latvian Government had to declare a „debt moratorium“ to prevent the collapse of rural economy.)

In **Lithuania**, the land reform took place even later and different in form and modalities from the reforms in Estonia and Latvia.

As in Estonia, free **cooperativism**, rural and urban, **ended** in Latvia and Lithuania, at the **beginning of WWII**.

2

This law is **in-line with** pre-WWII – but also with actual – cooperatives **regulations**, everywhere in **Europe**.

(Therefore, it is an **excellent reference for cooperatives legislation reforms** in Eastern Europe, but also in the West.)

The **Russian law is a chain-link** in a line in the development line of European cooperativism regulations, since the **second half of 19th century** until our times.

The line starts with the first German legislation cooperativism legislation, at the times of the „**Northern German Federation**“.

It continues (**1889**) with the pan-German cooperatives law, ratified during the (1871) „**German Empire**“.

It leads to the (**1917**) Russian cooperatives law and its application (**after WWI**) by the **Baltic Countries**.

This Russian law is in accordance with the actual (= the **ICA**) „**Cooperatives Principles**“.

Important for the purpose of this memorandum:

The **Russian law is not „infected“** by the „negative infiltrations“ enforced by the **National Socialist** regime for Germany (which, at that time, also comprised Austria) what qualifies it as **guide for Baltic** (and other European) **cooperativism legislation and practice reforms**.

3

The **National Socialists**, from the days of their empowerment on, **adjusted** traditional cooperativism modalities to their patterns, **starting with rules and regulations**, first in **Germany** and, a few years later, in (annexed) **Austria**.

They had **no respect** for the **cultural heritage** of civic associations, including cooperativism, in the **invaded nations** in Eastern Europe. They were determined to **replace everything by that what they had already reached in the „Reich“**.

Authentic **Baltic cooperativism** had already become **extinct**, ahead of the German invasion of the region; it had already died when the Soviet Union had reached control (for a short time, under the **Hitler-Stalin Pact**)

Soviet Union **kept the popular term „cooperative“ for the kolhos units**; under its governance, they **had** to be understood as the **one and only path towards social-economic togetherness**.

The young generation was educated accordingly. **Cooperativism meant State governed collectivism**.

4

There have been attempts to **fill the regulatory vacuum** – caused by the collapse of the State governed collectives system.

New laws for (agricultural and forestry) **associations** (the worst hit by the political and economic changes) were enforced (around 2000).

(These associations, in Latvia and Lithuania, were named „cooperatives“; in Estonia, recently re-named „commercial associations“. All of them leave aside cooperativism essentials, above, the cooperativism specific control specifics.)

(Right after the political-economic change, a „cooperativism substitute“ model (from the USA and Canada) was implanted in the Baltic region (as well as in other Eastern European „reform countries), the **„Savings and Loans Associations“** - „closed shops“ out-side the financial market and without effective audit - for the poorest of the poor. Their acceptance remains rather modest. Because of their may deficits, they are unable to produce economic relief.)

5

To show how a passed away authoritarian system, until our days, overshadows and undermines genuine cooperativism also in Western Europe, a **Nazi times left-behind in Germany** is highlighted:

The National Socialist rulers – following the **„Führer-Prinzip“** (a German language term which is also understood out-side this country) – shifted the **power of governance over the cooperatives from the members to the management**.

Since this amendment, the **members**, the born rulers of „their“ cooperative are confronted with an **overweight of the management**.

(This situation is **aggravated** when small cooperatives **merge with bigger cooperatives**; the relations between the members and „their“ cooperative become more distant and in-direct, what, in addition, strengthens the power of the management.)

This **deviation** from the original cooperativism spirit has **never** been **corrected**, in spite of numerous tries.

Successful lobbying from inside the cooperativism and from out-side, has prevented to the ideals, as laid down in the ICA **„Cooperative Identity, Values and Principles“**.

(An adjustment of the cooperativism rules in the Baltic region – using the 1917 **Russian Cooperatives Law as orientation** – could and should – apart from **avoiding the transmission of „infected“ German regulations** – lead to a **reflection about a need for cleaning the German Cooperatives Law from „brown“ elements**.)

6

Actually, the Baltic **„middle classes“**, the **cooperativism target groups** possess **no voice**, nor in their Baltic home countries, nor EU-wide, **because they lack** the appropriate and natural defenders of their interests, i.e. cooperatives.

Above others, the small **peasants** are **close to extinction** because of the impacts of **set-backs caused by** the post-political changes times **EU agro policy** which favours the big agricultural units (through the **Area Premium Scheme**), aggravated now by the **Corona pandemic**.

Small rural family units remain **out of the reach** of the EU and its counterparts in the administrations of the „new“ EU countries.

To **access** them, these units would have to become organised in true **cooperatives**. This aspect remains to become **integrated into the EU programmes**.

If these small units have to continue to act as „**lonely fighters**“ for survival, they **will** soon loose and **vanish** completely.

If these groups are gone, the new **EU agro policy** (but also big parts of the **Corona Recovery Programme**) are exposed to the threat of **derailing** and **failure** of their aims and objectives.

7

A **copy of the law text**, plus an – acceptable – translation into German can be found on the web-sites of „Stiftung Livlaendische Gemeinnuetzige“, <https://www.livlaendische-gemeinnuetzige.org> and <https://www.livonian-common-weal.org>. Back-ground information and detailed write-ups – most of them in German – are to found there, as well.

8

Assuming the proposals find applause, information will not only spread among the Baltic languages speaking communities but also among the Russian speaking groupings in the region.

Civic society in Russia (and Russian speaking Baltic groupings) but – equally important – **Russian politicians** will learn about the existence, inside Russia and beyond its borders, of a **European minded civic society** which envisages a future with **Russia as a reliable partner**.

9

The future of all European civic societies depends on **democratic togetherness**; like-minded **citizens' organisations**, at their centre **dynamic cooperatives**, are crucial to meet this goal.

Equitable European societies are, at least, as crucial for the defence of their well-being, **as** military alliances – e.g. **NATO**.

10

Help requests from the Baltic addressees should **not** be awaited for. They cannot be expected, simply because the **awareness** of the civic society devastations caused by despots, is still weak, often **missing** completely.

The **push** for starting the change in the right direction has to come from **friendly minded out-siders** who have experienced continuity of cooperativis life.

11

Recalling the **good practices of the Baltic ancestors** to safeguard their survival and civic progress by cooperating should be divulgated (via the „social media“) to **motivate** collaboration.

But not only the target groupings and the political authorities have to be **convinced**, also the **general public**.

All of them have to understand that they have to **take into account their „roots“** to reach their „innate“ place in Europe.

They have to accept the appropriate path towards a **fully equipped civic society**, which is **cooperativism**, a core element within their **cultural heritage**.

In the Baltic Countries, because of the relatively **small numbers of inhabitants** – where news spread quicker than in the big EU countries and where the people know each other – even **small initiative groups**, as the proposed, can inspire and carry forward **big changes**.